



Final Minutes
Endowment Fund Investment Regular Board Meeting
August 11, 2017

A regular meeting of the Endowment Fund Investment Board (Board) was held in the Board Conference Room at 816 W. Bannock Street, Ste. 301, Boise, Idaho on August 11, 2017. Chairman M. Dean Buffington called the meeting to order at 9:00 a.m. and recognized that a quorum was present.

Member's Present:

Dean Buffington
Jerry Aldape
Representative Anderson
Warren Bakes
Mary Hughes
Irv Littman
Gary Mahn
Richelle Sugiyama
Senator Winder

Member's Absent:

None

Staff Present:

Larry Johnson
Chris Halvorson
Michelle Watts
Liz Wieneke

Legal Counsel:

None

Guests:

Janet Becker-Wold, Callan
Rob Sepich, LSO
Amber Christofferson, DFM
Tom Schultz, IDL
Kari Kostka, IDL
Sharla Arledge, IDL
Donna Campbell, IDL
Paul Spannknable, DHR
Joe Webber, DHR
Representative John Gannon

Hard copies of board materials were mailed and delivered five days prior to the scheduled board meeting and a meeting notice and agenda was posted on the door of the EFIB office beginning August 6, 2017.

Board Meeting Minutes:

Ms. Sugiyama made a motion that the minutes of the May 16, 2017, regular meeting be approved. The motion was seconded by Mr. Mahn and approved unanimously.

Mr. Mahn made a motion that the minutes of the June 22, 2017, special meeting be approved. The motion was seconded by Mr. Aldape and approved unanimously.

Recent Endowment Fund Results

Mr. Halvorson reported the Endowment Fund's performance was 1.78% for the month of July 2017, 0.07% above the benchmark. He also gave a month-to-date performance update.

Capital Market Assumptions

Mr. Halvorson presented information on capital market assumptions from various sources. The expected return of equities is generally expected to outpace that of fixed income.

Fund Performance – 2nd quarter (Janet Becker-Wold, Callan)

Endowment Fund: The endowment portfolio posted a 3.15% return for the quarter ended June 30, 2017, 12 basis points above its benchmark. Relative to public fund peers, the fund ranked 38th percentile for the quarter, 39th for the year ended June 30, 2017, (48th percentile relative to endowments and foundations) and 9th percentile (public funds) for the last 10 years.

State Insurance Fund: The SIF portfolio posted a 1.19% return for the quarter ended June 30, 2017, 3 bps below benchmark. For the last year, the fund returned 2.06%, 4 bps below benchmark and 3.04% for the last five years, 8 bps over benchmark.

Ms. Becker-Wold discussed underperforming managers and reviewed the compliance report.

FY 2019 Distributions

Mr. Johnson recommended a 6.4% (\$4.7 million) increase in total distributions for FY2019. This is an increase for all endowments including 7.0% (\$3.3 million) for Public Schools. Mr. Johnson stated that two things driving the increase in distributions are average land income and outstanding equity markets. The recommendations are based on a conservative low land income scenario and reflect a temporary boost in the years of reserve for Normal School and State Hospital, the two endowments impacted most by the sale of cabin sites and commercial property.

Ms. Sugiyama made a motion to recommend that the Land Board approve the FY 2019 distributions of \$78,206,400 and a transfer of \$129,468,000 from the earnings reserves for each endowment to the permanent fund. The motion was seconded by Mr. Anderson and approved unanimously.

EFIB Strategic Plan

Mr. Johnson stated that annually the agency is required to submit a Strategic Plan. The changes are routine with the exception of adding, at the Governor's request, a section on protecting the EFIB from cybersecurity threats.

Mr. Aldape made a motion to approve the Strategic Plan. The motion was seconded by Ms. Sugiyama and approved unanimously.

Break from 10:30 a.m.-10:40 a.m.

EFIB Committee Assignments

Chairman Buffington announced that Senator Winder and Mr. Bakes agreed to serve on the Executive Committee and that Mr. Littman agreed to serve on the Compensation Committee.

Selection of EFIB Vice Chair

Since statute specifies that the EFIB Chair is elected by the board, Chairman Buffington recommended that a Vice Chair (which is not specified in statute) be selected by the same process.

Senator Winder made a motion to appoint Ms. Sugiyama as the Vice Chair. The motion was seconded by Representative Anderson and approved unanimously.

Manager of Investments Interview Process

Mr. Johnson presented the updated timeline for selection of the new Manager of Investments and the proposed transition timeline. Mr. Spannknable from the Division of Human Resources presented data on applicant response and outlined the steps in the recruitment process. Mr. Webber from the Division of Human Resources provided sample interview questions. The Board asked that background checks of candidates be performed before they are invited to a final interview.

Update on International/Global Manager Review

Mr. Johnson provided an update on the International transition. Contract terms are being refined and a final award is expected in the next week. Ms. Becker-Wold confirmed that Callan will provide a short list of suggested Global Equity managers for the Board and Staff to start their review by late August. A Board meeting to interview finalists will be scheduled.

FY 2019 Agency Budget

Ms. Watts presented the FY 2019 agency budget for approval. This budget is based on the personnel costs from FY 2018 with the following adjustments: Less the one time double-fill of Manager of Investments (\$36,800); less benefit decreases for health insurance (\$7,700); and an increase of 1% CEC per the budget instructions from the Governor's Division of Financial Management. There is no change proposed in operating expenditures. The capital request is for \$2,000 which includes a new computer and additional office furniture.

Ms. Sugiyama made a motion to approve the budget for FY 2019 as submitted. The motion was seconded by Representative Anderson and approved unanimously.

Mr. Johnson said staff is considering whether to recommend the purchase of an Automated External Defibrillator (AED) for the EFIB office and asked board members to provide any counsel or concerns at their convenience outside of the meeting.

2018 Board Meeting Schedule

Mr. Johnson proposed the following regular board meeting schedule for calendar year 2018.

- February 12
- May 15
- August 17
- November 20

The schedule was accepted as presented.

EFIB Staff Reports

Mr. Halvorson reviewed the recent performance reports of the Parks and Recreation, Bunker Hill Water Treatment, and Fish & Game Wildlife endowments.

Ms. Watts reported on the Expenses vs. Budget, Coverage Ratio and the YTD Land Revenues.

Mr. Johnson reported on Housing Starts, Inland Lumber Price, Stumpage Price, and the Gift Log.

Mr. Halvorson reviewed the quarterly report on the School Bond Credit Enhancement program. Mr. Halvorson also reviewed the administrative costs of the of school bond application (staff review time) versus the fee income. Staff plans to transfer \$4,000 of surplus in administrative fees to the Public School Earnings Reserve, per administrative rule.

Mr. Johnson discussed Upcoming Issues including agenda items for the EFIB regular meeting in November.

Senator Winder asked Staff to contact Senator Hagedorn regarding a possible new investment mandate.

Adjournment

There being no further business to come before the Board, Mr. Aldape made a motion to adjourn, which was seconded by Ms. Sugiyama and passed unanimously.

The meeting adjourned at 11:58 a.m.